

DISTINCTIVE ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is responsible for leading the Board of Directors in establishing and monitoring the implementation of strategies and plans to create value for shareholders.

The Chief Executive Officer (CEO) is responsible for managing the operation of the Group's businesses, proposing strategies to the Strategy Committee and the effective implementation of the strategies and policies adopted by the Board.

THE BOARD

At 31 March, 2005, the Board comprised 11 members — the Chairman and five other Executive Directors, two Non-executive Directors (NEDs), one of whom is a director of the parent company, and three Independent Non-executive Directors (INEDs). The INEDs are considered by the Board to be independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each of the NEDs and INEDs brings his own relevant expertise to the Board and its deliberations.

The Board met regularly during the year as well as on an ad hoc basis, as required by business needs. The Board's primary purpose is to set and review the overall strategic development of the Group as a whole and oversee the achievement of the plans to enhance shareholder value. Everyday operational decisions are delegated to the Executive Directors. The Board met five times during the year and Directors' attendance is shown in the table on page 31. The NEDs and INEDs may take independent professional advice at the Company's expense in carrying out their functions. The Board has arranged for appropriate insurance cover for the Directors.

The Chairman has assessed the development needs of the Board as a whole, with a view to building its effectiveness as a team and assists in the development of individual skills, knowledge and expertise. Performance evaluations have

been made for each member of the Board with Executive Directors' performance being evaluated by the Chairman and the CEO, the CEO's performance by the Chairman, NEDs and INEDs, the Chairman's performance by all Directors, NEDs' and INEDs' performance by the Chairman and the CEO. The Board encourages target-based performance and innovation to achieve the Group's strategies and plans.

The Company's Bye-laws require that one-third of the Directors, except the Chairman and the CEO, retire by rotation each year and that each Director, except the Chairman and the CEO, will seek re-election at the Annual General Meeting every three years. New Directors seek election by shareholders at the first Annual General Meeting after their appointment. Following their appointment, formal comprehensive and specific induction is offered to all INEDs.

The formal terms of reference for the main Board committees, approved by the Board and complying with the Hong Kong Code of Corporate Governance to assist in the discharge of its duties, are available from the CEO and can also be found on the Company's website at www.shuion.com. During the year, two additional committees were appointed - the Strategy Committee and the Executive Committee.

AUDIT COMMITTEE

The Audit Committee comprises Mr. Moses Cheng Mo Chi, Mr. Marvin Cheung Kin Tung, Professor Michael John Enright and Mr. Anthony Griffiths (who chairs the committee), all of whom are appointed by the Board. Mr. Marvin Cheung Kin Tung resigned on 4 July, 2005 for personal reasons and Professor K. C. Chan was appointed on the same date. The quorum is two members. Each member brings to the Committee his valuable experience in reviewing financial statements and evaluating significant control and financial issues of public companies. The Board expects the members to exercise independent judgement in conducting the business of the Committee.

The Committee meets regularly during the year and its agenda is linked to events in the Group's financial calendar. The agenda is mostly cyclical such that the Committee Chairman decides the agenda for the Committee. Each member may require reports on matters of interest in addition to regular items. Members' attendance at the four meetings held during the year is set out in the table on page 31. In addition to its routine work, the Committee gave considerable attention to four topics during the year: the correct accounting treatment of the disposal of the Group's interest in Rui Hong Xin Cheng (Rainbow City) in exchange for shares in Shui On Land Ltd; the procedures for the recording of debts and their collection in the Group's cement operations; the nature and impact of the Hong Kong Financial Reporting Standards on the presentation of the Group's financial statements; and the Company's policy on connected transactions.

The Committee invites the Group's executive responsible for finance and the head of the Group's Corporate Evaluation, responsible for internal audit, together with senior representatives of the external auditors to attend each meeting. The Chairman and CEO are invited to attend for specific issues when relevant as are other senior management.

The Committee is required to assist the Board to fulfil its responsibilities related to external financial reporting and associated announcements. During the year, the Committee reviewed the interim and final financial statements.

The Committee is also responsible for the development, implementation and monitoring of the Group's policy on external audit. The Committee reserves oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements. The Committee recommends the appointment and reappointment of the Company's external auditors.

The Committee oversees the Group's corporate evaluation function, that includes the internal audit function, and its relationship with the external auditors. Specific attention is given to the internal audit plans and their performance as well as to risk identification and monitoring of management's handling of risks. The Committee approves the internal audit plans and gives instructions regarding areas that require specific attention or changes in priority. The reviews include the adequacy of staffing of the corporate evaluation function to conduct the internal audit plans. The Committee concluded that the staffing levels were insufficient to undertake additional work it required to be done in respect of the Group's cement operations and approved the outsourcing of two projects to PricewaterhouseCoopers and Ernst & Young.

REMUNERATION COMMITTEE

The Committee comprises the Chairman of the Board, Mr. Moses Cheng Mo Chi, Mr. Marvin Cheung Kin Tung, Professor Michael John Enright and Mr. Anthony Griffiths (who also chairs the Committee), all of whom are appointed by the Board. Mr. Marvin Cheung Kin Tung resigned on 4 July, 2005 for personal reasons and Professor K. C. Chan was appointed on the same date. The quorum is two members. Each member is sufficiently experienced and is appropriately skilled in the issues of determining Board pay in public companies. The Board expects the members to exercise independent judgement in conducting the business of the Committee.

The Committee met four times during the year and attendance is shown in the table on page 31. It considered the report it had commissioned from external consultants on directorate pay in Hong Kong public companies, reviewed the remuneration structure for the Board and senior management, reviewed the performance based awards of bonuses and share options and monitored the performance standard of those directors eligible to benefit from awards to be made later this year under the terms of the mega grant scheme.

STRATEGY COMMITTEE

The Committee is chaired by Mr. Vincent Lo Hong Sui. Mr. Wilfred Wong Ying Wai is the Vice - Chairman of the Committee. Membership of the Committee comprises all Executive Directors of the Company, the head of the finance and accounting function, a NED, Mr. Louis Wong Hak Wood and two other members who are not executives of the Company. The Company Secretary acts as secretary of the Committee. The Committee is responsible for (1) monitoring the macro business environment and market trends with respect to Company's current and potential businesses; (2) evaluating and setting business strategies to ensure the long-term competitiveness of the Company's core businesses; (3) formulating corporate strategies for enhancing the Company's long-term development; and (4) reviewing the implementation of strategies adopted. Strategies proposed would be submitted to the Board for approval. The terms of reference of the Committee were approved by the Board. All members of the Board, including the NEDs and INEDs are invited to attend the meetings. Minutes of meetings are sent to all Board members.

EXECUTIVE COMMITTEE

The Committee is chaired by Mr. Wilfred Wong Ying Wai. Membership of the Committee comprises all Executive Directors and a number of key executives of the Company. The Company Secretary acts as secretary of the Committee. The Committee is responsible for (1) planning and allocating resources, human, financial and otherwise, for the execution and implementation of the approved business plans and corporate development strategies; (2) keeping updated on market developments and discussing major issues arising from the execution of strategies; (3) reviewing and approving acquisitions and disposals of assets in the ordinary course of business with an investment cost / net book value of up to HK\$25 million for any single transaction or a series of related transactions, other than notifiable transactions and connected transactions as defined by the Hong Kong Listing Rules; (4) reviewing the operating performance and financial position of the Group and its strategic business units; and (5) implementing the decisions taken by the Board. The terms of reference of the Committee were approved by the Board. All members of the Board, including the NEDs and INEDs are invited to attend the meetings. Minutes of meetings are sent to all Board members.

AD HOC COMMITTEES

Mr. Anthony Griffiths and Professor Michael John Enright were the members of the committee of Non-executive Directors who reviewed the terms of the proposed exchange of the Group's interest in Rui Hong Xin Cheng (Rainbow City) in exchange for shares in Shui On Land Ltd. They appointed BNP as their independent adviser and, after receiving their advice, concluded that the terms offered were not disadvantageous to minority shareholders.

MEETINGS ATTENDANCE

The following table shows the attendance of Directors at meetings of the Board and its committees during the year:

	Board	Audit Committee	Remuneration Committee	Strategy Committee	Executive Committee
Number of Meetings	(5)	(4)	(4)	(2)	(8)
<u>Directors</u>					
Vincent Lo Hong Sui	5	N/A	4	2	7
Wilfred Wong Ying Wai	5	N/A	N/A	2	8
Lawrence Choi Yuk Keung	5	N/A	N/A	2	7
Frankie Wong Yuet Leung	5	N/A	N/A	1	8
Raymond Wong Fook Lam	5	N/A	N/A	2	8
Vivien Lowe Hoh Wai Wan	5	N/A	N/A	1	8
Louis Wong Hak Wood	5	N/A	N/A	2	N/A
Anthony Griffiths	5	4	4	N/A	N/A
Michael John Enright	5	4	4	N/A	N/A
Marvin Cheung Kin Tung (note 1)	3	3	3	N/A	N/A
Moses Cheng Mo Chi (note 2)	2	1	2	N/A	N/A

Notes:

1. Mr. Marvin Cheung Kin Tung was appointed on 13 July, 2004 after which there were 3 meetings of the Board, 3 meetings of the Audit Committee and 3 meetings of the Remuneration Committee.
2. Mr. Moses Cheng Mo Chi was appointed on 30 September, 2004 after which there were 3 meetings of the Board, 3 meetings of the Audit Committee and 2 meetings of the Remuneration Committee.
3. Attendance of Directors invited to committee meetings of which they are not members is not recorded in this table.

CONFIRMATION OF INDEPENDENCE OF INEDS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers all of the Independent Non-executive Directors are independent.

CONFIRMATION OF COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period under review.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the year, except that the Non-executive Directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.